

AMENDED IN ASSEMBLY JUNE 4, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1291**

**Introduced by Assembly Member Strom-Martin**

February 28, 1997

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An act to amend ~~Section~~ *Sections 17053.66, 23221, 23666, and 24343* of, and to add Sections 17271.5 and 24443.5 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1291, as amended, Strom-Martin. Personal income and bank and corporation taxes: federal conformity: *credits*.

*The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws including a credit, for taxable and income years beginning before January 1, 2000, in an amount equal to the lesser of 10% of the qualified costs paid or incurred by a taxpayer or partnership, as specified, or an amount determined by a specified formula for salmon and steelhead trout habitat restoration and improvement projects, as specified. Existing law limits the credit amount that may be granted with respect to any taxable or income year to any taxpayer or partnership to \$50,000 and provides that the total aggregate amount of credits granted under those provisions may not exceed \$500,000 per year.*

*This bill would extend the operation of those credits to taxable and income years beginning before January 1, 2002,*

would increase the allowable credit from 10% to 25%, if lesser than the amount determined by the formula, in the case of a taxpayer who is not an industrial timber operator, would increase the credit amount that may be granted with respect to any taxable or income year to any taxpayer to \$500,000, and would increase the total aggregate amount of credits that may be granted to \$5,000,000 per year. This bill would make other technical changes to those credit provisions.

The Personal Income Tax Law and the Bank and Corporation Tax Law, by reference to specified federal statutes, conform to various provisions of federal income tax law.

This bill would, for taxable and income years beginning on or after January 1, 1997, provide *full or partial* conformity to certain federal income tax laws relating to the elimination of the deduction for *fees for* membership in any club organized for business, pleasure, recreation, or other social purpose, and the disallowance of the deduction for employee remuneration that exceeds \$1,000,000 in the case of a publicly held corporation, as specified.

*The Bank and Corporation Tax Law provides, for income years commencing on or after January 1, 1997, that the amount of the prepaid minimum franchise tax for a qualified new corporation, as defined, is \$600, unless that corporation's gross receipts or tax liability, as specified, exceeds certain amounts, in which case that corporation is subject, as provided, to additional tax in the amount of \$200.*

*This bill would instead provide, for income years commencing on or after January 1, 1998, that the amount of the prepaid minimum franchise tax for a qualified new corporation, as defined, is \$200, and that the additional tax to which that corporation is subject if its gross receipts or tax liability, as specified, exceeds certain amounts, is \$500.*

~~By limiting deductions, this bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.~~

This bill would take effect immediately as a tax levy.

Vote:  $\frac{2}{3}$  majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. *Section 17053.66 of the Revenue and*  
2     *Taxation Code is amended to read:*  
3     17053.66. (a) (1) For each taxable year beginning on  
4     or after January 1, 1995, and before January 1, ~~2000~~ 2002,  
5     there shall be allowed, as determined by the Department  
6     of Fish and Game, a credit against the “net tax,” as  
7     defined in Section 17039. The credit amount shall be  
8     equal to the lesser of ~~10 percent~~ *the qualified percentage*  
9     of the qualified costs paid or incurred by the taxpayer ~~or~~  
10    ~~partnership~~ for salmon and steelhead trout habitat  
11    restoration and improvement projects or an amount  
12    determined in subparagraph (B) of paragraph (2) of  
13    subdivision (f). The credit allowed by this section shall be  
14    claimed on the return for the taxable year in which the  
15    expense for the habitat restoration or improvement  
16    project was paid or incurred.  
17    (2) *For purposes of this section, “qualified*  
18    *percentage” means either:*  
19    (A) *In the case of a taxpayer who is an industrial*  
20    *timber operator, 10 percent.*  
21    (B) *In the case of any other taxpayer, 25 percent.*  
22    (b) The taxpayer ~~or partnership~~ shall be eligible to  
23    claim the credit only after application to and certification  
24    by the Department of Fish and Game that all of the  
25    following conditions are met:  
26    (1) The salmon or steelhead trout habitat restoration  
27    or improvement project meets the objectives of the  
28    Salmon, Steelhead Trout, and Anadromous Fisheries  
29    Program Act (Chapter 8 (commencing with Section  
30    6900) of Part 1 of Division 6 of the Fish and Game Code)  
31    and would aid in increasing the natural production of  
32    salmon and steelhead trout through improvement of  
33    stream and streambank conditions, improvement of land  
34    use practices, or changes in streamflow operations.

1 (2) The work to be undertaken is not otherwise  
2 required to be carried out pursuant to the Z'berg-Nejedly  
3 Forest Practice Act of 1973 (Chapter 8 (commencing  
4 with Section 4511) of Part 2 of Division 4 of the Public  
5 Resources Code), for mitigation of negative impacts to  
6 the environment caused by timber operations or  
7 required for mitigation of negative impacts on fish and  
8 wildlife habitat caused by a project pursuant to an  
9 approved environmental impact report or mitigated  
10 negative declaration required pursuant to the California  
11 Environmental Quality Act (Division 13 (commencing  
12 with Section 21000) of the Public Resources Code).

13 (c) (1) Qualified costs are those costs paid or incurred  
14 by the taxpayer ~~or partnership~~ which are directly related  
15 to labor and materials which aid in increasing the natural  
16 production of salmon and steelhead trout through  
17 improvement of stream and streambank conditions,  
18 improvement of land use practices, or changes in  
19 streamflow operations.

20 (2) Qualified costs do not include costs paid or  
21 incurred with respect to any of the following:

22 (A) Construction of office, storage, garage, or  
23 maintenance buildings.

24 (B) Drilling wells or installation of pumping  
25 equipment.

26 (C) Construction of permanent hatchery facilities,  
27 including raceways, water systems, or bird enclosures.

28 (D) Construction of permanent surface roadways or  
29 bridges.

30 (E) Any project requiring engineered design or  
31 certification by a registered engineer.

32 (3) Qualified costs shall be no greater than prevailing  
33 costs for similar work completed in the area where the  
34 project is proposed, and the project design and  
35 implementation shall follow Department of Fish and  
36 Game guidelines.

37 (d) For purposes of computing the credit provided by  
38 this section, the cost of any salmon or steelhead trout  
39 habitat restoration or improvement project eligible for  
40 the credit shall be reduced by the amount of any grant or

1 cost-share payment provided by a public entity for that  
2 project. The Department of Fish and Game shall certify  
3 the amount of funding, if any, provided by the  
4 Department of Fish and Game for the project.

5 (e) The taxpayer~~—or partnership~~ shall do all of the  
6 following:

7 (1) (A) Submit an application for the restoration tax  
8 credit with a description of the proposed project in a  
9 format acceptable to the Department of Fish and Game.

10 (B) The application for the restoration tax credit shall  
11 include all information that is required by the  
12 Department of Fish and Game, pursuant to subdivision  
13 (b), as well as, but not limited to, all of the following:

14 (i) A project description of the habitat restoration or  
15 improvement work to be accomplished, including the  
16 location of the project.

17 (ii) If other than the project applicant, the name of the  
18 owner of the land where the project is to be carried out.

19 (iii) The estimated qualified cost to accomplish the  
20 project, as well as the project's overall estimated cost.

21 (iv) A statement that a reasonable attempt will be  
22 made to hire unemployed persons previously employed  
23 in the commercial fishing or forest products industries for  
24 implementation of the project.

25 (v) The tax identification number of each taxpayer  
26 allowed the credit.

27 (2) Obtain from the Department of Fish and Game  
28 certification that the project is approved, and the amount  
29 of credit allocation authorized, which shall not exceed the  
30 maximum amount of credit allocation set forth in  
31 subdivision (k).

32 (3) Notify the Department of Fish and Game in a form  
33 and manner specified by the department that the habitat  
34 restoration or improvement work was actually completed  
35 and the amount of qualified costs that were paid.

36 (4) Provide access, subject to prior notification by the  
37 Department of Fish and Game staff and permission by  
38 the taxpayer, to proposed project sites by the  
39 Department of Fish and Game staff for preproject and  
40 postproject evaluation, for project monitoring during all

1 phases of implementation, and for verification that  
2 projects have been completed in accordance with  
3 department guidelines and recommendations. The  
4 Department of Fish and Game shall not include a project  
5 on its list of approved projects eligible for the tax credit  
6 that is submitted to the Franchise Tax Board unless these  
7 conditions are met.

8 (5) Retain a copy of and make the certification  
9 referred to in paragraph (3) of subdivision (f) available  
10 to the Franchise Tax Board upon demand.

11 (6) Calculate the credit amount, equal to the lesser of  
12 ~~10 percent~~ *the qualified percentage* of the taxpayer's  
13 actual qualified costs or the amount of credit allocation  
14 authorized to the taxpayer, as determined by the  
15 Department of Fish and Game.

16 (7) A partnership shall disclose in its partnership  
17 return for the taxable year all of the following:

18 (A) The name of each partner who received a  
19 distributive share of the credit.

20 (B) Each partner's social security number or  
21 identification number.

22 (C) Each partner's distributive share of the credit.

23 (f) The Department of Fish and Game shall do all of  
24 the following:

25 (1) Accept and review applications to determine if  
26 projects meet the conditions specified in subdivision (b).

27 (2) After all applications have been received for a  
28 calendar year, determine if ~~10 percent~~ *the qualified*  
29 *percentage* of the estimated costs for all approved  
30 projects exceeds the annual credit allocation. If the  
31 annual amount of credit allocation is exceeded, the  
32 amount of each taxpayer's credit allocation shall be  
33 calculated as follows:

34 (A) Divide the annual amount of credit allocation set  
35 forth in subdivision (j) by *the qualified percentage* the  
36 total estimated qualified costs for all approved projects.

37 (B) Multiply each approved project's estimated  
38 qualified cost by the quotient of the calculation in  
39 subparagraph (A).

1 (C) If the annual amount of credit allocation is not  
2 exceeded, the amount of each credit allocation shall be ~~40~~  
3 ~~percent~~ *the qualified percentage* of the estimated  
4 qualified costs.

5 (3) Issue certificates to each taxpayer~~—or—partnership~~  
6 with an approved project that specifies the amount of  
7 credit allocated to the project.

8 (4) Provide an annual listing to the Franchise Tax  
9 Board (preferably on magnetic tape or other  
10 machine-readable form, and in a form and manner  
11 agreed upon by the Franchise Tax Board and the  
12 Department of Fish and Game) of the taxpayers~~—or~~  
13 ~~partnerships~~ who were issued the certification, their  
14 respective tax identification numbers, and the allowable  
15 amount of the credit allocated to each taxpayer~~—or~~  
16 ~~partnership~~.

17 (g) The Department of Fish and Game shall have the  
18 authority to establish annual timeframes for the receipt  
19 of applications.

20 (h) The taxpayers' social security numbers or  
21 identification numbers obtained through the tax credit  
22 application and certification process shall be used  
23 exclusively for state tax administrative purposes.

24 (i) In the case where the credit allowed by this section  
25 exceeds the "net tax," the excess may be carried over to  
26 reduce the "net tax" in the following year, and  
27 succeeding years if necessary, until the credit has been  
28 exhausted.

29 (j) For purposes of this section, the annual amount of  
30 credit allocation means the aggregate amount of tax  
31 credits which may be granted pursuant to this section and  
32 Section 23666 shall not exceed~~—five hundred thousand~~ *five*  
33 *million* dollars~~—(\$500,000)~~ *(\$5,000,000)* per year. The  
34 Department of Fish and Game shall not authorize any  
35 credit which would cause the total amount of credits  
36 authorized with respect to any calendar year under this  
37 section and Section 23666 to exceed~~—five hundred~~  
38 ~~thousand~~ *five million* dollars~~—(\$500,000)~~ *(\$5,000,000)*.

39 (k) The maximum credit amount which the  
40 Department of Fish and Game may authorize with

1 respect to any taxable year to any taxpayer ~~or partnership~~  
2 ~~is fifty~~ *is five hundred thousand dollars* ~~(\$50,000)~~  
3 *(\$500,000)*.

4 (l) In the case of a partnership, the credit limitation  
5 specified in subdivision (k) shall apply with respect to the  
6 partnership and with respect to each partner.

7 (m) This section shall remain in effect only until  
8 December 1, ~~2000~~ 2002, and as of that date is repealed.

9 SEC. 2. Section 17271.5 is added to the Revenue and  
10 Taxation Code, to read:

11 17271.5. ~~For~~ (a) *Except as provided in subdivision*  
12 *(b), for each taxable year beginning on or after January*  
13 *1, 1997, the amendments made to Section 274 of the*  
14 *Internal Revenue Code by Section 13210 of the Revenue*  
15 *Reconciliation Act of 1993 (P.L. 103-66), relating to*  
16 *elimination of deduction for club membership fees, shall*  
17 *apply with respect to that portion of fees that exceed five*  
18 *hundred dollars (\$500).*

19 ~~SEC. 2.~~

20 (b) *Section 274(a)(3) of the Internal Revenue Code is*  
21 *modified by substituting “no deduction in excess of five*  
22 *hundred dollars (\$500)” in lieu of “no deduction.”*

23 SEC. 3. Section 23221 of the Revenue and Taxation  
24 Code is amended to read:

25 23221. (a) Except as provided under subdivision (b),  
26 a corporation which incorporates under the laws of this  
27 state or qualifies to transact intrastate business in this  
28 state shall thereupon prepay the minimum tax provided  
29 in Section 23153, except that any credit union shall  
30 thereupon prepay a tax of twenty-five dollars (\$25). The  
31 prepayment shall be made to the Secretary of State with  
32 the filing of the articles of incorporation or the statement  
33 and designation by foreign corporation. The Secretary of  
34 State shall transmit the amount of the prepayment to the  
35 Franchise Tax Board. The Franchise Tax Board shall  
36 certify to the Secretary of State on an individual or class  
37 basis those domestic or foreign corporations which are  
38 exempt from prepayment or for which prepayment to  
39 the Secretary of State is waived.

(b) (1) For income years commencing on or after January 1, 1997, and before January 1, 1998, the amount payable by a qualified new corporation under subdivision (a) shall be six hundred dollars (\$600).

(2) For income years commencing on or after January 1, 1998, the amount payable by a qualified new corporation under subdivision (a) shall be two hundred dollars (\$200).

(c) For purposes of this section, “qualified new corporation” means a corporation that reasonably estimates that, for the income year, it will have both gross receipts, less returns and allowances reportable to this state, of ~~less than~~ one million dollars (\$1,000,000) or less, and a tax liability under Section 23151 that does not exceed eight hundred dollars (\$800).

(1) The determination of gross receipts of a corporation, for purposes of this section, shall be made by including the gross receipts of each member of the commonly controlled group, as defined in Section 25105, of which the bank or corporation is a member.

(2) “Gross receipts, less returns and allowances reportable to this state” means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(d) (1) Subdivision (b) shall not apply to any corporation ~~if that will be a subsidiary of another corporation upon the issuance of its stock.~~

(2) For purposes of this subdivision, “subsidiary” means a corporation of which 50 percent or more ~~of its stock~~ is owned by another corporation.

(e) (1) For income years commencing on or after January 1, 1997, and before January 1, 1998, if a corporation paid six hundred dollars (\$600) under subdivision (b), but for its first income year the corporation’s tax liability under Section 23151 exceeds eight hundred dollars (\$800), or the corporation’s gross receipts, as determined under paragraph (2) of subdivision (c), exceed one million dollars (\$1,000,000),

1 an additional tax in the amount ~~equal to~~ of two hundred  
2 dollars (\$200) *shall be due and payable by the corporation*  
3 *on the due date of its return, without regard to extension,*  
4 *for its first income year.*

5 (2) *For income years commencing on or after January*  
6 *1, 1998, if a corporation paid three hundred dollars (\$300)*  
7 *under subdivision (b), but for its first income year the*  
8 *corporation's tax liability under Section 23151 exceeds*  
9 *eight hundred dollars (\$800), or the corporation's gross*  
10 *receipts, as determined under paragraph (2) of*  
11 *subdivision (c), exceed one million dollars (\$1,000,000),*  
12 *an additional tax in the amount of five hundred dollars*  
13 *(\$500) shall be due and payable by the corporation on the*  
14 *due date of its return, without regard to extension, for its*  
15 *first income year.*

16 *SEC. 4. Section 23666 of the Revenue and Taxation*  
17 *Code is amended to read:*

18 23666. (a) (1) *For each income year beginning on or*  
19 *after January 1, 1995, and before January 1, ~~2000~~ 2002,*  
20 *there shall be allowed, as determined by the Department*  
21 *of Fish and Game, a credit against the "tax," as defined*  
22 *in Section 23036. The credit amount shall be equal to the*  
23 *lesser of ~~10 percent~~ the qualified percentage of the*  
24 *qualified costs paid or incurred by the taxpayer for*  
25 *salmon and steelhead trout habitat restoration and*  
26 *improvement projects or an amount determined in*  
27 *subparagraph (B) of paragraph (2) of subdivision (f).*  
28 *The credit allowed by this section shall be claimed on the*  
29 *return for the income year in which the expense for the*  
30 *habitat restoration or improvement project was paid or*  
31 *incurred.*

32 (2) *For purposes of this section, "qualified*  
33 *percentage" means either:*

34 (A) *In the case of a taxpayer who is an industrial*  
35 *timber operator, 10 percent.*

36 (B) *In the case of any other taxpayer, 25 percent.*

37 (b) *A taxpayer shall be eligible to claim the credit only*  
38 *after application to and certification by the Department*  
39 *of Fish and Game that all of the following conditions are*  
40 *met:*

1 (1) The salmon or steelhead trout habitat restoration  
2 or improvement project meets the objectives of the  
3 Salmon, Steelhead Trout, and Anadromous Fisheries  
4 Program Act (Chapter 8 (commencing with Section  
5 6900) of Part 1 of Division 6 of the Fish and Game Code)  
6 and would aid in increasing the natural production of  
7 salmon and steelhead trout through improvement of  
8 stream and streambank conditions, improvement of land  
9 use practices, or changes in streamflow operations.

10 (2) The work to be undertaken is not otherwise  
11 required to be carried out pursuant to the Z'berg-Nejedly  
12 Forest Practice Act of 1973 (Chapter 8 (commencing  
13 with Section 4511) of Part 2 of Division 4 of the Public  
14 Resources Code), for mitigation of negative impacts to  
15 the environment caused by timber operations or  
16 required for mitigation of negative impacts on fish and  
17 wildlife habitat caused by a project pursuant to an  
18 approved environmental impact report or mitigated  
19 negative declaration required pursuant to the California  
20 Environmental Quality Act (Division 13 (commencing  
21 with Section 21000) of the Public Resources Code).

22 (c) (1) Qualified costs are those costs paid or incurred  
23 by the taxpayer which are directly related to labor and  
24 materials which aid in increasing the natural production  
25 of salmon and steelhead trout through improvement of  
26 stream and streambank conditions, improvement of land  
27 use practices, or changes in streamflow operations.

28 (2) Qualified costs do not include costs paid or  
29 incurred with respect to any of the following:

30 (A) Construction of office, storage, garage, or  
31 maintenance buildings.

32 (B) Drilling wells or installation of pumping  
33 equipment.

34 (C) Construction of permanent hatchery facilities,  
35 including raceways, water systems, or bird enclosures.

36 (D) Construction of permanent surface roadways or  
37 bridges.

38 (E) Any project requiring engineered design or  
39 certification by a registered engineer.

1 (3) Qualified costs shall be no greater than prevailing  
2 costs for similar work completed in the area where the  
3 project is proposed, and the project design and  
4 implementation shall follow the Department of Fish and  
5 Game guidelines.

6 (d) For purposes of computing the credit provided by  
7 this section, the cost of any salmon or steelhead trout  
8 habitat restoration or improvement project eligible for  
9 the credit shall be reduced by the amount of any grant or  
10 cost-share payment provided by a public entity for that  
11 project. The Department of Fish and Game shall certify  
12 the amount of funding, if any, provided by the  
13 Department of Fish and Game for the project.

14 (e) The taxpayer shall do all of the following:

15 (1) (A) Submit an application for the restoration tax  
16 credit with a description of the proposed project in a  
17 format acceptable to the Department of Fish and Game.

18 (B) The application for the restoration tax credit shall  
19 include all information that is required by the  
20 Department of Fish and Game, pursuant to subdivision  
21 (b), as well as, but not limited to, all of the following:

22 (i) A project description of the habitat restoration or  
23 improvement work to be accomplished, including the  
24 location of the project.

25 (ii) If other than the project applicant, the name of the  
26 owner of the land where the project is to be carried out.

27 (iii) The estimated qualified cost to accomplish the  
28 project, as well as the project's overall estimated cost.

29 (iv) A statement that a reasonable attempt will be  
30 made to hire unemployed persons previously employed  
31 in the commercial fishing or forest products industries for  
32 implementation of the project.

33 The tax identification number of each taxpayer allowed  
34 the credit.

35 (2) Obtain from the Department of Fish and Game  
36 certification that the project is approved, and the amount  
37 of credit allocation authorized, which shall not exceed the  
38 maximum amount of credit allocation set forth in  
39 subdivision (k).

(3) Notify the Department of Fish and Game in a form and manner specified by the department that the habitat restoration or improvement work was actually completed and the amount of qualified costs that were paid.

(4) Provide access, subject to prior notification by the Department of Fish and Game staff and permission by the taxpayer, to proposed project sites by the Department of Fish and Game staff for preproject and postproject evaluation, for project monitoring during all phases of implementation, and for verification that projects have been completed in accordance with department guidelines and recommendations. The Department of Fish and Game shall not include a project on its list of approved projects eligible for the tax credit that is submitted to the Franchise Tax Board unless these conditions are met.

(5) Retain a copy of and make the certification referred to in paragraph (3) of subdivision (f) available to the Franchise Tax Board upon demand.

(6) Calculate the credit amount, equal to the lesser of ~~10 percent~~ *the qualified percentage* of the taxpayer's actual qualified costs or the amount of credit allocation authorized to the taxpayer, as determined by the Department of Fish and Game.

(f) The Department of Fish and Game shall do all of the following:

(1) Accept and review applications to determine if projects meet the conditions specified in subdivision (b).

(2) After all applications have been received for a calendar year, determine if ~~10 percent~~ *the qualified percentage* of the estimated costs for all approved projects exceeds the annual credit allocation. If the annual amount of credit allocation is exceeded, the amount of each taxpayer's credit allocation shall be calculated as follows:

(A) Divide the annual amount of credit allocation set forth in subdivision (j) by *the qualified percentage* the total estimated qualified costs for all approved projects.

1 (B) Multiply each approved project's estimated  
2 qualified cost by the quotient of the calculation in  
3 subparagraph (A).

4 (C) If the annual amount of credit allocation is not  
5 exceeded, the amount of each credit allocation shall be ~~40~~  
6 ~~percent~~ *the qualified percentage* of the estimated  
7 qualified costs.

8 (3) Issue certificates to each taxpayer~~—or—partnership~~  
9 with an approved project that specifies the amount of  
10 credit allocated to the project.

11 (4) Provide an annual listing to the Franchise Tax  
12 Board (preferably on magnetic tape or other  
13 machine-readable form, and in a form and manner  
14 agreed upon by the Franchise Tax Board and the  
15 Department of Fish and Game) of the taxpayers~~—or~~  
16 ~~partnerships~~ who were issued the certification, their  
17 respective tax identification numbers, and the allowable  
18 amount of the credit allocated to each taxpayer~~—or~~  
19 ~~partnership~~.

20 (g) The Department of Fish and Game shall have the  
21 authority to establish annual timeframes for the receipt  
22 of applications.

23 (h) The taxpayers' identification numbers obtained  
24 through the tax credit application and certification  
25 process shall be used exclusively for state tax  
26 administrative purposes.

27 (i) In the case where the credit allowed by this section  
28 exceeds the "tax," the excess may be carried over to  
29 reduce the "tax" in the following year, and succeeding  
30 years if necessary, until the credit has been exhausted.

31 (j) For purposes of this section, the annual amount of  
32 credit allocation means the aggregate amount of tax  
33 credits which may be granted pursuant to this section and  
34 Section 17053.66 shall not exceed~~—five hundred thousand~~  
35 *five million* dollars~~—(\$500,000)~~ (\$5,000,000) per year. The  
36 Department of Fish and Game shall not authorize any  
37 credit which would cause the total amount of credits  
38 authorized with respect to any calendar year under this  
39 section and Section 17053.66 to exceed~~—five hundred~~  
40 ~~thousand~~ *five million* dollars~~—(\$500,000)~~ (\$5,000,000).

(k) The maximum credit amount which the Department of Fish and Game may authorize with respect to any income year to any taxpayer ~~or partnership~~ *is fifty is five hundred thousand dollars—(\$50,000) (\$500,000).*

(l) In the case of a partnership, the credit limitation specified in subdivision (k) shall apply with respect to the partnership and with respect to each partner.

(m) This section shall remain in effect only until December 1, ~~2000~~ 2002, and as of that date is repealed.

SEC. 5. Section 24343 of the Revenue and Taxation Code is amended to read:

24343. (a) Section 162 of the Internal Revenue Code, relating to trade or business expenses, shall apply, except as otherwise provided.

(b) For purposes of applying Section 162 of the Internal Revenue Code, any references to Section 170 of the Internal Revenue Code shall be modified to refer to Sections 24357 to 24359.1, inclusive, of this part.

(c) The amendments to Section 162 of the Internal Revenue Code made by Section 13211 of the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to disallowance of deduction for certain employee remuneration in excess of one million dollars (\$1,000,000), shall apply to income years beginning on or after January 1, 1997.

~~SEC. 3.~~

SEC. 6. Section 24443.5 is added to the Revenue and Taxation Code, to read:

24443.5. ~~For~~ (a) *Except as provided in subdivision (b), for* each income year beginning on or after January 1, 1997, the amendments made to Section 274 of the Internal Revenue Code by Section 13210 of the Revenue Reconciliation Act of 1993 (P.L. 103-66), relating to elimination of deduction for club membership fees, shall apply *with respect to that portion of fees that exceed five hundred dollars (\$500).*

~~SEC. 4.—~~

1     *(b) Section 274(a)(3) of the Internal Revenue Code is*  
2     *modified by substituting “no deduction in excess of five*  
3     *hundred dollars (\$500)” in lieu of “no deduction.”*

4     SEC. 7. This act provides for a tax levy within the  
5     meaning of Article IV of the Constitution and shall go into  
6     immediate effect.

